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Subcommittee on Legislative & Budget Process

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First, Madame Chairwoman, I want to begin by thanking you for scheduling this hearing to explore budget enforcement proposals. I am very pleased that members of Congress are taking an active interest in exploring ways to restore discipline and accountability in the budget process.

I want to begin by acknowledging that budget enforcement rules are not a substitute for making the tough choices that will be necessary to restore fiscal discipline. If there is not the political will in Congress to maintain fiscal discipline, any budget process rule or statutory enforcement mechanism can be evaded in order to enact politically popular legislation that would increase the deficit.

The value of budget enforcement rules is to establish the presumption in favor of fiscal discipline and placing greater accountability for actions that undermine fiscal discipline. Budget enforcement rules can raise a red flag for legislation that would increase the deficit and hold all of us accountable for our decisions. If it is the will of the majority to pass legislation that would make the budget situation worse, we should be forced to accept responsibility for doing so.

My philosophy on budget issues has always begun with some simple West Texas Tractor Seat Common Sense – When you find yourself in a hole, the first rule is to quit digging. That is why the Blue Dogs believe that dealing with our budget deficit must begin with reinstatement of budget enforcement rules to take away the shovels from Congress and the administration.

The budget enforcement rules we enacted in 1990 – discretionary spending limits and pay as you go rules – were an important part of getting a handle on the deficits in the early 1990s and getting the budget back into balance. The centerpiece of the Blue Dog budget enforcement package is reinstatement of these important tools for fiscal discipline. They have been tested, and they worked. They didn't work perfectly, and we have suggested some changes to strengthen these rules in our proposal, but there is no question that they significantly improved the responsibility and accountability of the budget process.

The Blue Dog proposal, which is incorporated in legislation introduced by my colleague Baron Hill, would set discretionary spending at the levels contained in the President's budget. The cap would be on total discretionary spending, with flexibility to shift funds within the overall limit. A separate vote would be required in the House to increase spending above the discretionary spending limits, instead of including an increase in spending limits as part of an omnibus appropriations bill as has been the case in the past.

The bill would also establish criteria for emergency spending and require the President and appropriations committee to provide justifications for emergency spending based on the criteria and provide for a separate vote to strike the emergency designation in a spending bill.

The Blue Dog plan would also reinstate PAYGO rules requiring that any legislation dealing with mandatory spending or revenues that would increase the deficit be paid for with offsetting changes in mandatory spending or revenues. A separate vote would be required in the House to waive the PAYGO requirements, instead of including a waiver of paygo rules as part of an omnibus tax bill.

The proposal would prevent budget gimmicks intended to circumvent PAYGO rules by prohibiting spending or tax legislation that delays costs outside of the five year window and prohibiting the use of "directed scorekeeping" in which legislation directs CBO to use certain assumptions to provide a more favorable budget estimate.

If we are truly serious about restoring fiscal discipline, budget rules must apply to all legislation which would increase the deficit, both increased spending or reductions in revenues. All parts of the budget must be on the table. Everyone needs to be pulling – we can't do it if some folks are riding. It is irresponsible and politically unrealistic to propose budget rules that apply to one part of the budget but not others.

Those who want to extend expiring tax cuts or make the tax cuts permanent should be willing to put forward the spending cuts or other offsets necessary to pay for them. Similarly, those who want to spend more in certain areas need to be willing to say where they would cut or how they would raise revenues to pay for their proposals.

Simply making it harder to enact new policies which dig the hole deeper obviously won't be enough to get us out of the hole. We need to reexamine the policies that got us into the hole.

The announcement that the administration expects the Medicare bill we passed last year to cost $134 billion more than was advertised when it was enacted generated quite a stir. Many of us who voted for the Medicare bill based on the assurances that it was within the $400 billion in the budget believe we have an obligation to go back and revisit the bill if it turns out that the bill was more expensive.

What has received less attention is that revenues are much lower than projected when we passed the economic stimulus tax cuts last year. The budget Congress passed last year said that revenues would be $1.883 trillion in 2004 after enactment of the economic stimulus tax cut. And many advocates of the tax cut argued that revenues would actually be much higher because the tax cuts would stimulate growth and produce a surge in revenues. When the President's budget was released earlier this year, OMB projected that revenues would be $1.791 trillion in 2004, nearly $100 billion lower than promised when the tax cuts were enacted.

When we passed the tax cuts in 2001 and 2003, there were many who advocated a "trigger" that would make the tax cuts contingent upon seeing if things turned out as projected. That approach is even more relevant today now that we see that reality has fallen far short of projections.

If we aren't generating as much revenues as we expected when we passed our budget last year, we need to go back and figure out if we can spend less or raise more revenues instead of ignoring the problem and leaving our children to pay for our mistake.

The Blue Dog budget enforcement plan includes provisions intended to address the potential increases in Medicare spending beyond what was budgeted last year and revenues falling short of the levels in the budget. We will be introducing legislation fleshing out this proposal in the next few weeks.

On Medicare prescription drugs, the Blue Dog plan would establish targets for spending on Medicare prescription drug benefit and Medicare Advantage program enacted last year. The targets would be equal to the CBO estimate of outlays for the prescription drug legislation when it was passed by Congress.

If Medicare actuaries determine that the targets were exceeded in any fiscal year, the Secretary of Human Services would be directed to negotiate lower prices for prescription drugs provided to seniors under Medicare plans and report to Congress and the President on any savings achieved. If the savings negotiated by the Secretary are not sufficient to reduce total costs to the budget targets, the President would be required to submit to Congress legislation to address the increased cost of the Medicare Part D or Medicare Advantage program. The President's proposal could include additional measures to reduce the costs of prescription drugs, changes in payments to insurance companies, other changes in the prescription drug benefit, changes in other parts of the budget to offset the increased costs, or simply approve the increased spending without offsets.

Congress would consider and vote on the President's proposal and other alternatives on a fast track basis. Congress could reject the President's proposal and make no changes to the program, but would have to vote up or down on the proposal.

On the revenue side of the ledger, the Blue Dog plan would establish revenue targets equal to total revenues projected in the budget resolution adopted by Congress in 2003. If total revenues fall below the targets that were set in the budget resolution approved by the majority in Congress last year, the President would be required to propose legislation to offset the revenue shortfall through spending reductions or increased revenues or explicitly authorize an increase in the debt limit by the amount of the shortfall.

Congress would be required to consider and vote on the President's proposal on a fast track basis. The reductions in the top two marginal income tax rates would be suspended unless the President proposes and Congress enacts legislation achieving savings equal to the amount revenues fell below the target or approving additional borrowing to make up the shortfall.

I understand that these proposals involve decisions and actions by the executive branch that fall beyond the jurisdiction of the Rules Committee. However, a central element of these proposals is the requirement for prompt consideration of and votes on proposals to address increases in the deficit caused by higher than expected spending on the Medicare prescription drug program or lower than expected revenues. The rules enforcing the requirement for consideration and vote on these proposals would fall within the jurisdiction and expertise of the Rules Committee. We welcome any suggestions you may have about how to structure this process.

We should apply this principal – essentially a retroactive paygo – to all major tax or spending legislation enacted. If things don't turn out as expected when we passed the legislation, we should go back and consider changes to make up the shortfall. I have always been willing to apply that principal to the Farm Bill we passed in 2002 – if it turns out that the Farm Bill costs more than the $73 billion that was budgeted when we passed it, we should go back and look at changes to bring it back within that total. So far, the actual costs of the farm bill have been lower than was expected when it was enacted. But if that is not the case in the future, it is fair for Congress to go back and decide whether we need to make changes in farm programs.

As serious as our near term budget problems are – and they are very serious – the long term problems we face as the baby boom generation begins to retire in 2008 are even greater. We need to bring more attention to the long-term liabilities facing our nation as part of the budget process.

The Blue Dog proposal would require the President's budget and the Congressional budget resolution to include information on the seventy five year liabilities of Social Security, Medicare, other government retirement programs and interest on the debt in present value terms under current policies. In addition, it would establish a point of order against any legislation which would increase the long term liabilities of Social Security, Medicare, other government retirement programs and interest on the debt by more than a certain percentage.

Finally Ms. Chairman, I want to commend my Republican colleagues who will be testifying before your subcommittee today for putting forward serious proposals to enforce fiscal discipline. While there are some differences in our approaches, we share a common goal of bringing greater discipline to the budget process. I believe there is a real opportunity for bipartisan cooperation on meaningful budget enforcement legislation and Ilook forward to working with the Members of this subcommittee and my colleagues on both sides of the aisle to achieve that goal.